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FM AMEMBASSY KINSHASA
TO RUEHC/SECSTATE WASHDC 0277
INFO RWANDA COLLECTIVE
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UNCLAS SECTION 01 OF 03 KINSHASA 000254

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [PGOV](#) [PREL](#)

SUBJECT: Prime Minister Assures Donors of Progress and Commitment
Towards HIPC Completion Point

REF: 09KINSHASA1135; 09KINSHASA1112

¶1. (SBU) Summary: Prime Minister Adolphe Muzito, accompanied by a team of key ministers, assured bilateral and multilateral donors on February 23 of the government of the DRC (GDRC)'s political commitment to and progress towards meeting the triggers required to reach Heavily Indebted Poor Countries (HIPC) Initiative completion point by June 2010. Muzito thanked donors for providing financing assurances and support for the DRC's new IMF Poverty Reduction and Growth Facility (PRGF), approved in December 2009 (refs A and B), and acknowledged that the task ahead was both difficult and time was short. Minister of Plan Kamitatu outlined government actions and progress in each of the seven HIPC completion point triggers, frequently noting work underway. Donor interventions highlighted support for the GDRC's efforts to date, while acknowledging steps that remain. A key outstanding concern for donors is the passage of the new procurement law, anticipated for March when Parliament resumes its next session. End Summary.

¶2. (U) Prime Minister Muzito was accompanied by the key ministers engaged in the work on the seven HIPC completion point triggers, including the Minister of Plan, the (newly named) Ministers of Finance and Budget, and several line Ministers. Bilateral donor representatives included the Ambassadors of Spain (representing the EU Presidency), the EU, Switzerland, Japan, Canada and the United States. Multilateral donor representatives included the IMF Resident Representative and the World Bank Country Director.

Plan Minister Highlights Progress on Seven Triggers

¶3. (SBU) Following very brief introductory remarks to thank donors for their support and acknowledge both the progress to date and task ahead on the HIPC completion point triggers, Muzito turned to his Minister of Plan for a detailed progress report on each of the seven triggers. While presenting a highly positive report on progress to date and current efforts, he did acknowledge that each reform required both capacity and resources. In particular, he noted the need for capacity building related to the sectoral strategies (trigger 6). These include:

Trigger 1-PRSP (Poverty Reduction Strategy Paper). The GDRC is completing its first draft of the progress revenue of PRSP performance for 2008-2009; sectoral revenues and data collection are currently underway. A stakeholders meeting will be held to

discuss PRSP implementation on March 8 and 9. The PRSP revenue document is on track for finalization by the end of March.

Trigger 2- Macroeconomic stability. Macroeconomic policy is being implemented in line with the DRC's PRGF. Relevant GDRC ministries are currently compiling data to be reviewed during the upcoming IMF Staff Mission in early March; the GDRC is committed to ensuring a productive mission.

Trigger 3- Use of Budgetary Savings. Terms of Reference have been defined for and work is underway by an independent, international firm to conduct an audit of the national audit office and use of budgetary resources.

Trigger 4- Public expenditure management. The expenditures tracking system (chaîne de dépenses, in French) is fully operational; the GDRC is currently revising its procedural manual to address any weaknesses. The GDRC is currently producing and reviewing the required budget execution reports.

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Trigger 5- Governance and service delivery in key sectors. The GDRC is working in two principal areas: quality of services and quality of spending. An evaluation of services is currently being drafted with international assistance in three provinces. The new public procurement law (marche publique, in French) was passed by the National Assembly before the close of the Parliament's extraordinary session ending in mid-February, and has been referred to the Senate. The Senate will review the procurement law as a priority item when Parliament reconvenes on March 15. The GDRC is working on drafting implementing regulations to ensure that the law can be enacted as quickly as possible following Parliamentary approval by the Parliament and the President's signature.

Trigger 6- Social and rural sectors. The GDRC has drafted strategies for the three priority sectors-health, education, and agricultural/rural development. The strategies will be finalized and transmitted to the Council of Ministers by the end of March/early April.

Trigger 7- Debt management. Debt service information for the fourth quarter of 2009 is currently being drafted and will be completed shortly.

IMF Reviews upcoming Staff Mission

14. (SBU) The IMF Resident Representative noted that satisfactory performance under the PRGF is one of the triggers for HIPC completion point. The upcoming IMF Staff Mission, arriving the first week of March, which will review progress under the PRGF, both on macroeconomic stability and implementation of structural reforms through December 2009. While reserving specific comments given the upcoming mission, the IMF Res Rep gave a generally positive assessment of developments including improved macroeconomic stability, appropriate policies, and realistic spending in line with revenues.

Donors highlight support and need to maintain momentum

15. (SBU) All participating bilateral ambassadors made brief statements. The overall message from the donors was one of strong support for the efforts undertaken to date on the HIPC triggers and the need to maintain the current policies and commitment. Donors offered support to assist the GDRC continue its work. While the message was generally positive, concerns were noted over the limited time left to finalize and undertake remaining actions before June 2010. Several donors also highlighted the adoption and implementation of the new procurement law as a key action that must still be completed. The World Bank Country Director seconded bilateral donor comments on the importance of the procurement law and also noted the importance of resolution of London Club arrears. The World Bank has technical assistance to assist the GDRC in this area.

16. (SBU) Comment: Coming just days following the naming of a new cabinet, including new ministers of budget and finance, the GDRC's review of the HIPC triggers was a timely opportunity for the Prime Minister to reassure donors of continued political commitment, policies and progress toward the GDRC's goal of HIPC completion point by June 2010, the DRC's fiftieth anniversary of independence.

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The donor community presented a common message that recognized the important progress made to date, the key work that remained (including the adoption of the procurement law), and the support from the international community to help the GDRC in its efforts. The IMF Staff Mission arriving in early March will help to provide additional details on the GDRC's progress on the triggers, particularly in the areas of macroeconomic stability and public financial management. As noted by several donors and acknowledged by the Prime Minister, there is still much work to be done in a very short time. There are reasons to be encouraged by the progress to date, but we must also ensure that the GDRC at the highest levels does not lose the momentum. End comment.
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